FINANCE REPORT FOR ET DISCUSSION

October 2015

FINANCIAL OVERVIEW & KEY RISK AREAS

DP Income

Year to date actual income is £10.44M which remains within 1% of budget year to date. Given that we are so close to forecasted budget the full year forecast of £18M is deemed appropriate to remain as the full year forecast. The annual peak expected in October was less than expected, however it does not take us below our budget tolerance and is therefore not considered to be of risk.

Cash Underspend

We continue to forecast an underspend against our budgeted income of just less than £700k.

We will continue to monitor our resources by:

- Review of income forecasts each month for accuracy/ prudence
- Fee income strategic work around how we set our fee levels
- Isolate key spend areas or projects that could be accelerated or put on hold for a quick turnaround if our environment changed with little notice
- Regular balance sheet reporting and cash flow forecasts were originally expected to be in place by the end of the financial year, however changes in our sponsor department and departmental changes have reduced the priority status of these reports in favour of development of reporting methods to DCMS in preparation for year end. This activity will be re-scheduled for the following year.

Staff Recruitment

Staff costs pose a significant risk to the business if recruitment cannot keep up with budgeted staff levels.
Although we are showing a significant underspend under staff, recruitment in October is sufficient to mitigate any risk of underspend and pull the actuals into line with budget by the end of November. The situation is being monitored and re-forecasted where appropriate monthly, if and where staffing situations or business needs change.

Due to the decision by HM Treasury that specific approval should have been sought for the Deputy Commissioner salary increases, an administrational fine of £18,400 has been imposed and will be recognised within this financial year. Retrospective approval was given and a briefing note included in the 2014/15 annual report.

Capital Spend

Our 'allocated' capital budget has now been informally confirmed as £850k (formal approval to follow at Budget Version 2). Planning has

begun with DCMS on a capital programme mapping out our capital plans for the next four years.

Budget Version 2
We are now reporting internally against Budget Version 2 (BV2), reporting to the MOJ continues to be against BV1 until formal approval has been given. This is now unlikely to be given and rather budget discussions moved directly to DCMS.

Movement of sponsorship from the MOJ to DCMS
Some reports have now moved to DCMS with full reporting planned to move across in the New Year. New budget discussions for 2016/17 are solely being held with DCMS. This may change how we shape and report our new budget. The year end process with DCMS is likely to be considerably different to that with the MOJ, a process is being mapped and the appropriate staff briefed over the coming months.

Purchase Management System
Purchase Management System is now live which represents a significant step forward in the financial control at the ICO. There have been various challenges due to some project management and staff changes throughout the project and we have experienced a number of teething problems, however overall the system has been well received by staff and when fully bedded in will show significant improvements in the financial reporting, efficiency and control company wide.

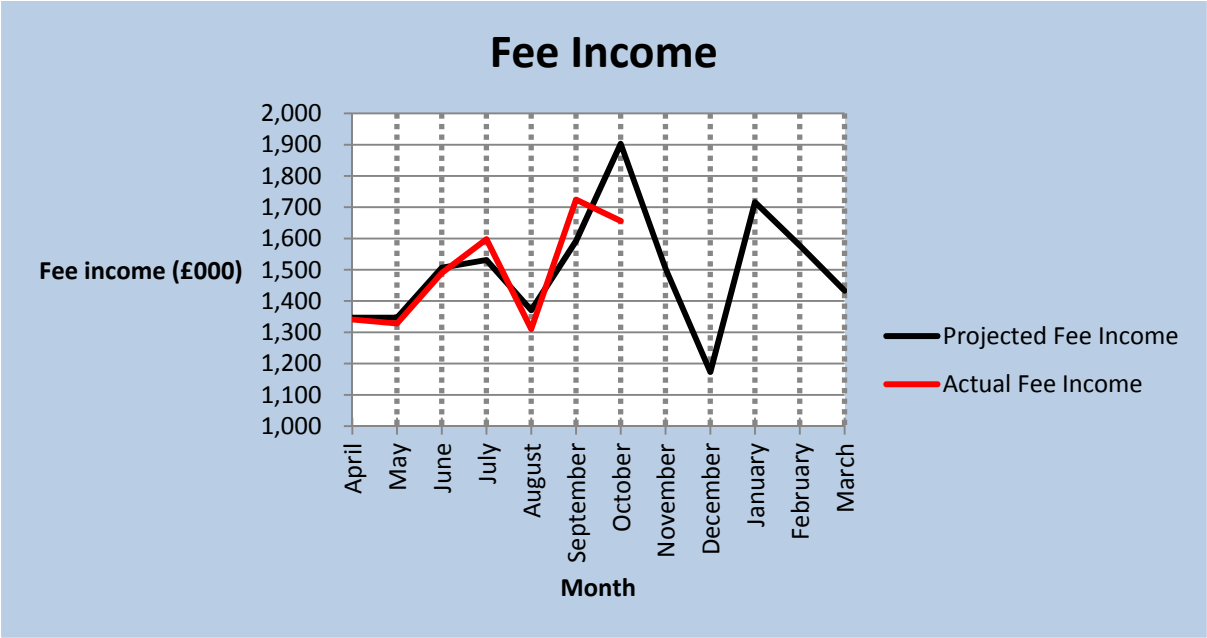
INCOME

Grant-in-aid for freedom of information activities

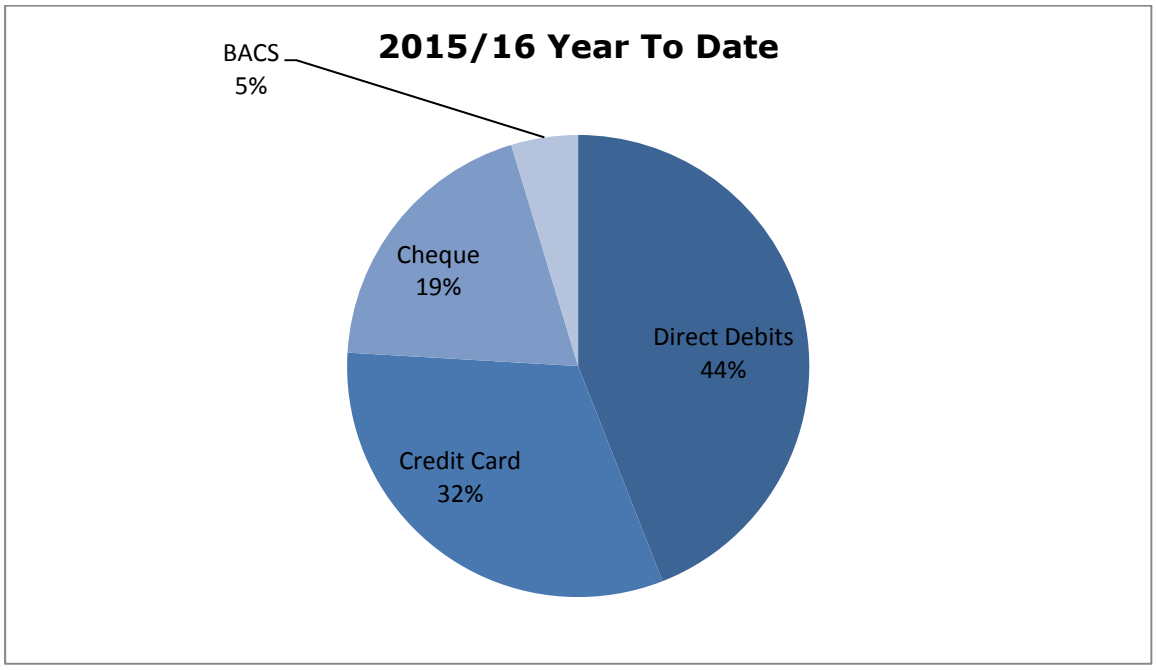
The grant-in-aid available for drawdown over 2015-16 has been confirmed at £3.7M, the first three tranches of £938k, £921k and £921k respectively have been drawn, a further drawdown is expected in January of £921k. In future, DCMS have expressed a preference to move to monthly drawdowns. This will be phased in over the coming months.

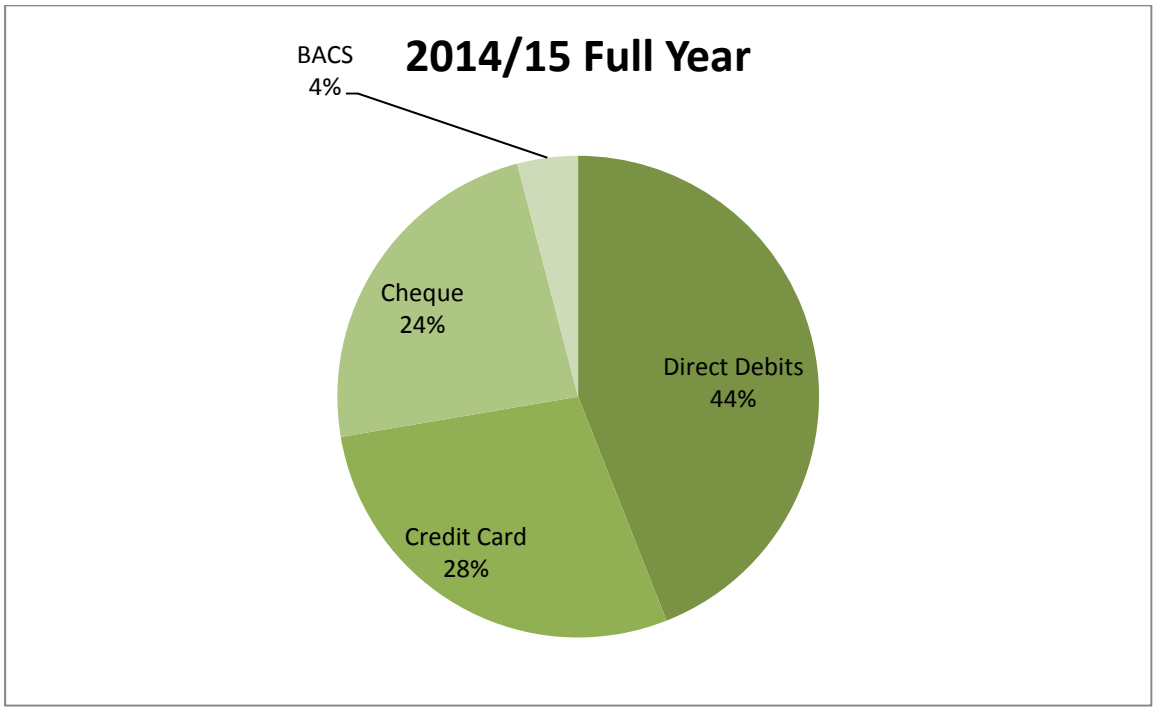
Data Protection fees processed

The chart below shows the actuals vs our current budget for the year 2015/16.
October income is £247k short of the expected levels, however any overall effect of this was counteracted by an over-recovery in September, leaving us in a healthy position of within 1% of forecasted budget.
There is no specific reason why there has been an under recovery of fees in October, it is likely to be a combination of factors such as late registering, cancelled registrations or less new registrations than expected. This will be monitored carefully in November to ensure that the under recovery is not a pattern.



The year to date fee payment method split is shown below, showing a definite trend towards credit card payments (↑ 4%) and away from cheques (↓ 5%) from the average over 2014/15. Direct Debits remain consistent and BACS payments are up (↑ 1%).





EXPENDITURE

Spending controls

The ICO is complying with the Cabinet Office Spending Controls Guidance v 4.0

https://www.gov.uk/government/publications/cabinet-office-controls/cabinet-office-controls-guidance-version-40

We are also required to obtain specific approval from our sponsor department DCMS for any IT or communications spend over £50k for individual projects. We will only be required to report spend over £50k not included in the original budget. We are currently seeking approval for the replacement SAN following the IT system outage, estimated at £140k.

Total office costs

There are quite a few categories within office costs that are over or under budget, as this is the first year we have separated out all of the distinct categories, the budget needs further work to make sure that each category is sufficiently resourced, this work will be engaged before the year end. Overall the budget is within 7% and not considered to be a risk of material over or underspend. This is being monitored closely.

Total staff FTE report and costs

Staff costs have come in £262k (3%) below forecasts for October.

As reported in September, we expect to be over compliment by November (currently 17.6 under compliment, reduced from 26 in eth previous

month) which will start to show a gradual decrease in the underspend towards the end of the financial year.

Training and Recruitment

Recruitment is over budget by £27k, largely due to the costs of recruitment of a new deputy commissioner (c. £10k) and other large scale recruitment drives to keep staff expenditure on track. There are some minor over and underspends amongst training due to the additional training of new starters. The overall spend of 36% is not to be considered a risk as it is a direct consequence of our strategic response to the underspend within staff costs.

IT Costs – Service Delivery

IT spend overall is to budget (within 9%), there are some fluctuations against budget lines where the spend is determined by usage – software licensing, printing usage and telephony, which is to be expected. The overall budget is being managed closely and will be reviewed as additional resource may be required if the budget continues to rise outside the 10% tolerance.

Considering the major business impact of the IT incident in May, the actual realised costs (outside resource downtime) have been kept to a minimum and have been estimated at less than £15k. This additional cost has been included within App & Desktop Support.

IT Projects

There is an underspend within IT projects of £230k (40%). This budget tends to be back end loaded due to the time it takes to mobilise projects after budget approval, however it is expected to spend to budget.

Communications Spend

Due to the almost seasonal nature of the communications spend especially within Campaigns, Print & Conferences we expect to see a deviation to the profiled budget. This will continue to improve as the months move on and we can profile more accurately. After review, no particular risk area has been identified with the communications spend, currently underspent by 16%.

Banking, finance & audit costs

Finance costs are as expected. Savings are expected to be made within bank charges due to more payments being made as BACS rather than cheques.

Staff travel

Overall staff travel is underspent by 13% of budget, potentially due to the decrease of executive travel in the run up to both deputy commissioners leaving in October and November. Travel is expected to be on budget overall.

Legal, professional & other

Legal & other costs are underspending by £82k, the majority of which is due to a £36k underspend on legal, £16k underspend on privacy seals and £12k on research. Legal and research budgets fluctuate based on caseload, but consistently spend to budget overall. The privacy seals project has only been commissioned late in the year and is also expected to spend to budget.

CAPITAL EXPENDITURE

Across the IT project expenditure, approximately £300k is capital in nature. This will be confirmed during a detailed capital review later in the year.

Civil Monetary Penalties

The current debtor of CMPs owed to the ICO as at 31 October 2015 is £681,790.

B/f 2014-15	*142,500*
Issued penalties gross	996,000
Issued penalty increase post appeal	-
Issued prompt payment discount	(68,000)
Net	**1,070,500**
Paid	(313,710)
Impaired	(75,000)
Balance	**681,790**

Prompt Payment Statistics

Number Invoices April - October	3529	
Number invoices paid within 5 days	986	28%
Number invoices paid within 30 days	3359	95%
Number invoices paid greater 30 days	170	5%

Simon Entwisle, Deputy Chief Executive Officer
October 2015

MANAGEMENT REPORT

For the Seven Months Ending 31 October 2015

	Year To Date				Full Year			
	BV2 OCT 15 (£)	Actual	Variance	Var %	BV2 OCT 15 (£)	Forecast (£)	Variance	Var %
GRANT IN AID	2,779,168	2,779,168	0	0%	3,681,600	3,681,600	0	0%
DP FEE INCOME	10,596,377	10,445,792	150,585	1%	18,000,000	17,849,415	150,585	1%
DRIPA INCOME	192,500	192,500	0	0%	330,000	330,000	0	0%
BANK INTEREST	0	87	(87)	0%	0	87	(87)	0%
TOTAL INCOME	**13,568,045**	**13,417,547**	**150,498**	**1%**	**22,011,600**	**21,861,102**	**150,498**	**1%**
Income Check	*(13,568,045)*	*(13,417,547)*	*(150,498)*	*1%*	*(22,011,600)*	*(21,861,102)*	*(150,498)*	*1%*
RENT	442,907	432,276	10,632	2%	759,270	748,638	10,632	1%
RATES	136,528	106,726	29,802	22%	234,049	204,247	29,802	13%
SERVICE CHARGES	15,167	19,082	(3,915)	(26%)	26,000	29,915	(3,915)	(15%)
CAR PARKING	73,336	60,544	12,793	17%	117,576	104,784	12,793	11%
HEAT & LIGHT	48,000	43,179	4,821	10%	89,100	84,279	4,821	5%
WATER	9,331	9,206	125	1%	16,000	15,875	125	1%
CLEANING	30,333	33,502	(3,169)	(10%)	52,000	55,169	(3,169)	(6%)
SECURITY	30,752	36,624	(5,872)	(19%)	48,432	54,304	(5,872)	(12%)
WASTE	2,366	3,286	(920)	(39%)	4,056	4,976	(920)	(23%)
STORAGE	8,092	12,498	(4,406)	(54%)	13,872	18,278	(4,406)	(32%)
REPAIRS & MAINTENANCE	78,119	68,808	9,311	12%	100,219	90,908	9,311	9%
MOTOR COSTS	1,169	608	561	48%	2,000	1,439	561	28%
KITCHEN	12,542	26,317	(13,775)	(110%)	21,500	35,275	(13,775)	(64%)
FURNITURE	13,692	3,263	10,429	76%	23,475	13,046	10,429	44%
GENERAL EQUIPMENT	27,919	6,118	21,801	78%	55,000	33,199	21,801	40%
STATIONERY	17,500	14,909	2,591	15%	30,000	27,409	2,591	9%
POSTAGE	35,493	38,003	(2,510)	(7%)	60,845	63,355	(2,510)	(4%)
DOCUMENT DESTRUCTION	5,831	3,114	2,717	47%	10,000	7,283	2,717	27%
TOTAL OFFICE COSTS	**989,078**	**918,062**	**71,016**	**7%**	**1,663,394**	**1,592,379**	**71,016**	**4%**
SALARIES	6,330,373	6,093,372	237,001	4%	11,098,254	10,861,253	237,001	2%
OVERTIME	46,667	49,176	(2,509)	(5%)	80,000	82,509	(2,509)	(3%)
PENSION	1,319,257	1,237,882	81,376	6%	2,308,864	2,227,488	81,376	4%
NATIONAL INSURANCE	443,557	434,218	9,339	2%	777,309	767,970	9,339	1%
AGENCY STAFF	0	170,188	(170,188)	0%	0	170,188	(170,188)	0%
SALARIES INCOME	0	(81,913)	81,913	0%	0	(81,913)	81,913	0%
PENSION INCOME	0	(16,382)	16,382	0%	0	(16,382)	16,382	0%
NATIONAL INSURANCE INCOME	0	(6,919)	6,919	0%	0	(6,919)	6,919	0%
NON EXEC BOARD MEMBER	29,458	27,808	1,650	6%	50,500	48,850	1,650	3%
TOTAL STAFF COSTS	**8,169,313**	**7,907,430**	**261,883**	**3%**	**14,314,927**	**14,053,045**	**261,883**	**2%**
RECRUITMENT	29,169	56,509	(27,340)	(94%)	50,000	77,340	(27,340)	(55%)
HEALTH & SAFETY	14,581	23,957	(9,376)	(64%)	25,000	34,376	(9,376)	(38%)
FURTHER EDUCATION	3,500	0	3,500	100%	6,000	2,500	3,500	58%
TRAINING COURSES	8,707	37,011	(28,305)	(325%)	30,104	58,409	(28,305)	(94%)

MANAGEMENT REPORT

For the Seven Months Ending 31 October 2015

	Year To Date				Full Year			
	BV2 OCT 15 (£)	Actual	Variance	Var %	BV2 OCT 15 (£)	Forecast (£)	Variance	Var %
CONFERENCES	49,000	34,625	14,375	29%	84,000	69,625	14,375	17%
MANAGEMENT DEVELOPMENT	14,000	9,755	4,245	30%	24,000	19,755	4,245	18%
TOTAL TRAINING AND RECRUITMENT	**118,957**	**161,857**	**(42,901)**	**(36%)**	**219,104**	**262,005**	**(42,901)**	**(20%)**
HOSTING, WEB AND TELEPHONY	418,331	434,328	(15,997)	(4%)	719,997	735,994	(15,997)	(2%)
APP & DESKTOP SUPPORT	396,669	423,944	(27,275)	(7%)	680,000	707,275	(27,275)	(4%)
SOFTWARE LICENSING	166,250	204,961	(38,711)	(23%)	285,000	323,711	(38,711)	(14%)
SECURITY CONTRACT	14,000	16,823	(2,823)	(20%)	50,000	52,823	(2,823)	(6%)
NOTIFICATION PRINTING	90,419	115,322	(24,903)	(28%)	155,000	179,903	(24,903)	(16%)
MANAGED PRINT	24,633	16,042	8,591	35%	42,231	33,640	8,591	20%
HARDWARE MAINTENANCE	46,669	26,529	20,140	43%	80,000	59,860	20,140	25%
GOV SECURE INTERNET	75,810	90,004	(14,194)	(19%)	130,000	144,194	(14,194)	(11%)
TELEPHONY CALLS & BROADBAND	53,669	73,018	(19,349)	(36%)	92,000	111,349	(19,349)	(21%)
TOTAL IT COSTS	**1,286,450**	**1,400,972**	**(114,522)**	**(9%)**	**2,234,228**	**2,348,750**	**(114,522)**	**(5%)**
ICE CRM DEVELOPMENT	130,000	94,866	35,134	27%	250,000	214,866	35,134	14%
FINANCE SYSTEM	0	5,384	(5,384)	0%	0	5,384	(5,384)	0%
MOBILE WORKING SOLUTIONS	0	42,579	(42,579)	0%	0	42,579	(42,579)	0%
DOCUMENT STORAGE SOLUTION	50,000	1,272	48,728	97%	100,000	51,272	48,728	49%
DIGITAL DELIVERY	85,000	5,528	79,472	93%	250,000	170,528	79,472	32%
INFRASTRUCTURE	150,000	89,826	60,174	40%	300,000	239,826	60,174	20%
OTHER PROJECT WORK	165,000	110,307	54,693	33%	315,000	260,307	54,693	17%
TOTAL PROJECT SPEND (INC CAPITAL)	**580,000**	**349,762**	**230,238**	**40%**	**1,215,000**	**984,762**	**230,238**	**19%**
CAMPAIGNS, MEDIA RELATIONS & PR	26,250	1,857	24,393	93%	45,000	20,607	24,393	54%
MEDIA MONITORING	26,250	37,973	(11,723)	(45%)	45,000	56,723	(11,723)	(26%)
DESIGN & PRINT	32,081	39,536	(7,455)	(23%)	55,000	62,455	(7,455)	(14%)
DISTRIBUTION	23,331	13,740	9,591	41%	40,000	30,409	9,591	24%
SURVEYS	38,500	4,332	34,168	89%	66,000	31,832	34,168	52%
CONFERENCES	55,331	73,340	(18,009)	(33%)	104,000	122,009	(18,009)	(17%)
CONFERENCE INCOME	0	(3,636)	3,636	0%	(44,000)	(47,636)	3,636	(8%)
ICON DEVELOPMENT	14,000	1,325	12,675	91%	24,000	11,325	12,675	53%
STAFF EVENTS	13,500	11,299	2,201	16%	16,000	13,799	2,201	14%
WEB MAINTENANCE	17,500	26,295	(8,795)	(50%)	30,000	38,795	(8,795)	(29%)
TOTAL COMMUNICATIONS	**246,743**	**206,061**	**40,682**	**16%**	**381,000**	**340,318**	**40,682**	**11%**
BANK CHARGES	23,333	17,244	6,089	26%	40,000	33,911	6,089	15%
CARD PROCESSING CHARGES	42,000	43,382	(1,382)	(3%)	72,000	73,382	(1,382)	(2%)
EXTERNAL AUDIT	17,500	17,500	0	0%	30,000	30,000	0	0%
INTERNAL AUDIT	21,798	21,258	540	2%	37,368	36,828	540	1%
TOTAL FINANCIAL COSTS	**104,631**	**99,384**	**5,247**	**5%**	**179,368**	**174,121**	**5,247**	**3%**
TRAVEL UK	206,676	191,846	14,830	7%	380,000	365,170	14,830	4%

MANAGEMENT REPORT

For the Seven Months Ending 31 October 2015

	Year To Date				Full Year			
	BV2 OCT 15 (£)	Actual	Variance	Var %	BV2 OCT 15 (£)	Forecast (£)	Variance	Var %
TRAVEL OVERSEAS	48,338	42,406	5,932	12%	65,000	59,068	5,932	9%
TRAVEL INCOME - UK	0	(3,746)	3,746	0%	0	(3,746)	3,746	0%
TRAVEL INCOME - OVERSEAS	0	(7,713)	7,713	0%	0	(7,713)	7,713	0%
TOTAL TRAVEL	**255,014**	**222,794**	**32,220**	**13%**	**445,000**	**412,780**	**32,220**	**7%**
LEGAL	136,102	100,598	35,505	26%	299,500	263,995	35,505	12%
LEGAL COSTS RECOVERED	0	(2,428)	2,428	0%	0	(2,428)	2,428	0%
LIBRARY & SUBSCRIPTIONS	46,650	33,000	13,650	29%	80,000	66,350	13,650	17%
PROFESSIONAL SUBS	7,901	12,692	(4,791)	(61%)	13,544	18,335	(4,791)	(35%)
SUBSISTENCE	0	178	(178)	0%	0	178	(178)	0%
RESEARCH	25,000	12,852	12,148	49%	50,000	37,852	12,148	24%
PRIVACY SEALS	22,220	6,170	16,050	72%	50,000	33,950	16,050	32%
PROFESSIONAL SERVICES	105,287	92,932	12,355	12%	182,500	170,145	12,355	7%
OTHER	0	4,384	(4,384)	0%	0	4,384	(4,384)	0%
TOTAL LEGAL, PROFESSIONAL & OTHER	**343,160**	**260,378**	**82,783**	**24%**	**675,544**	**592,761**	**82,783**	**12%**
TOTAL COSTS	**12,093,346**	**11,526,701**	**566,645**	**5%**	**21,327,566**	**20,760,921**	**566,645**	**3%**
Cost check	*12,093,346*	*11,526,701*	*566,645*	*5%*	*21,327,566*	*20,760,921*	*566,645*	*3%*
SURPLUS	**1,474,699**	**1,890,846**	**(416,147)**	**(28%)**	**684,034**	**1,100,181**	**(416,147)**	**(61%)**

FTE Staff Analysis								
Permanent Staff Band A	9.6	8.6	1.0	0.1	9.6	8.6	1.0	0.1
Permanent Staff Band B	34.7	20.4	14.3	0.4	34.7	20.4	14.3	0.4
Permanent Staff Band C	122.9	109.5	13.4	0.1	122.9	109.5	13.4	0.1
Permanent Staff Band D	92.9	96.0	(3.1)	0.0	92.9	96.0	(3.1)	0.0
Permanent Staff Band E	99.3	91.6	7.8	0.1	99.3	91.6	7.8	0.1
Permanent Staff Band F	42.4	46.3	(3.9)	(0.1)	42.4	46.3	(3.9)	(0.1)
Permanent Staff Band G	12.0	12.0	0.0	0.0	12.0	12.0	0.0	0.0
Permanent Staff Band H	3.0	2.0	1.0	0.3	3.0	2.0	1.0	0.3
Agency Staff Band A	0.0	1.0	(1.0)	0.0	0.0	1.0	(1.0)	0.0
Agency Staff Band B	0.0	8.0	(8.0)	0.0	0.0	8.0	(8.0)	0.0
Agency Staff Band C	0.0	1.8	(1.8)	0.0	0.0	1.8	(1.8)	0.0
Agency Staff Band D	0.0	2.0	(2.0)	0.0	0.0	2.0	(2.0)	0.0
Total FTE staff	**416.8**	**399.2**	**17.6**	**0.0**	**416.8**	**399.2**	**17.6**	**0.0**